DE 00-124

CONCORD ELECTRIC COMPANY AND EXETER & HAMPTON ELECTRIC COMPANY

Fuel Adjustment Clause and Purchased Power Adjustment Clause, Short-Term Power Purchase Rates for Qualifying Facilities, and New Hampshire Pilot Program Rate Adjustments

Order Approving Charges

O R D E R N O. 23,515

June 23, 2000

APPEARANCES: LeBoeuf, Lamb, Greene & MacRae by Paul B. Dexter, Esq. for Concord Electric Company and Exeter & Hampton Electric Company; and Lynmarie Cusack, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On May 26, 2000, Unitil Service Corporation on behalf of Concord Electric Company (CEC) and Exeter & Hampton Electric Company (E&H)(collectively the Companies) filed with the New Hampshire Public Utilities Commission (Commission) proposed tariff pages, supporting testimony and exhibits to revise the Companies' retail fuel adjustment clause (FAC) charges and purchased power adjustment clause (PPAC) charges, short-term power purchase rates for Qualifying Facilities, and the stranded cost recovery charges and external transmission cost charges applicable to the Companies' participants in the Retail Competition Pilot Program for the period July 1, 2000 to December 31, 2000. The petition proposes an increase of

$0.00554 from the current FAC and PPAC rate for CEC; and an increase of $0.00321 for E&H. The petition indicates that by using an annual comparison, a residential CEC customer using 500 kWh per month would see a decrease of (0.01) or (0.02%) in 2000; and a E&H residential customer also using 500 kWh per month would seen an increase of $0.21 or 0.45% in 2000.

An Order of Notice was issued on June 6, 2000 scheduling a hearing for June 21, 1999. No motions for intervention were received. Staff also engaged in a first round of discovery with the Companies.

II. POSITIONS OF THE PARTIES AND STAFF

A. Concord Electric Company and Exeter & Hampton Electric Company

The Companies presented the pre-filed direct testimony of two witnesses, Linda S. Hafey, Project Leader of Regulatory Operations for Unitil Service Corporation, and Scott A. Long, Team Leader Energy Contracts for Unitil Service Corporation. At the hearing Mr. Todd Bohan of Unitil Service Corporation adopted the testimony of Ms. Hafey and testified on her behalf.

Mr. Long testified that this filing reflected mitigation savings for its customers in excess of $1,000,000 related to buyouts of the Indeck purchased power contract and the Baystate-Agawam contract and not including a buyout of the Salem Harbor 3 contract. The main points of Mr. Long's testimony, however, focused on the Unitil Power Corporation's production plan and associated costs, as well as the Companies' estimate for its short term avoided cost rate. Mr. Long testified that the current period Demand, Base Energy, and Fuel Charge Rates are $19.33/KW-Mo, $.00404/kwh, and $.02588 respectively. The Demand Charge is decreasing from the last period due to the buyout of the Salem Harbor 3 purchased power contract. Mr. Long also testified that the Base Energy Charge is decreasing from the prior period due to a planned refueling outage of Seabrook nuclear facility, and as such Companies pay no demand charges associated with the Seabrook purchased power contract when the unit is not producing output. The Fuel Charge, however, is expected to increase according to Mr. Long because of the high bilateral market for short term purchases and further projected increases in oil and gas compared to the last forecast period.

Mr. Long also presented evidence of the estimates for the short term avoided cost rates for capacity and energy. He indicated that capacity purchases are made at the capacity clearing price and as such the avoided capacity rates are projected to be zero (0).

The pre-filed direct testimony of Ms. Hafey was presented to explain the Companies' PPAC and FAC and the impact to customers. Her testimony also addressed the calculation of the proposed Stranded Cost Recovery Charges (SCRC) and the External Transmission Cost Charges (ETCC).

B. <u>Staff</u>

Staff did not present testimony, but cross-examined the witnesses focusing the bulk of its questions on the Companies' sales forecasts, and forecasts of purchased power costs and Unitil's procurement practices. In particular, the examination of Company witnesses sought further information on the reasoning behind and the benefits of Unitil's decision to sell back to the owner of Salem Harbor 3 its rights to purchase at cost the output of that plant for $2.1 million, payable in a number of installments with a net present value of $1.8 million. Staff's questioning illustrated a concern about the prudency of the decision to sell back the rights to Salem Harbor 3 output given the high cost of energy on the short term market.

As a result of this concern Staff asked that Mr. Long produce a late-filed exhibit providing the analysis supporting the decision to terminate the Salem Harbor 3 contract. See Exhibit 9.

III. COMMISSION ANALYSIS

The FAC and PPAC is a recovery mechanism used to provide for an adequate recovery from or refund to ratepayers of changes in fuel and purchased power expenses without having to change base rates. Keeping this purpose in mind and in our review of the testimony and exhibits, we find the proposed changes to be in the public interest.

While Staff had concerns, as noted by the cross examination of Mr. Long, regarding the buyout of the Salem Harbor 3 contract, it seems they have been resolved by the production of Exhibit 9. The Companies' record responses on the "breakeven" analysis and termination buyout shows that the decision to accept the buyout was reasonable. This along with the testimony of Mr. Long regarding the potential for future environmental costs establishes that customers will most likely not be harmed, and probably see some benefit, as a result of the buyout; although the customers will now have a greater exposure to market risk.

The evidence shows that the proposed PPAC and FAC rate changes will result in increases for both CEC and E&H customers. CEC's proposed net FAC and PPAC rate increase equals $0.00554 per kwh and E&H net rate increase would equal $0.00321 per kwh according to the testimony of Linda Hafey. Ms. Hafey also testified that the methodology for adjustments to the retail competition pilot program are calculated in the same manner as the previous FAC/PPAC proceeding. Accordingly, having already found that methodology reasonable, we will accept it here.

Based upon the foregoing, it is hereby

ORDERED, that the tariff NHPUC No. 12, Twenty-first Revised Page 20, Eighteenth Revised Page 20A, Thirteenth Revised Page 20B, Fifteenth Revised Page 22, Sixteenth Revised page 24 and Fifteenth Revised Page 47 for Concord Electric Company are approved; and it is

FURTHER ORDERED, that the Tariff NHPUC No. 17, Twenty-first Revised Page 20, Eighteenth Revised Page 20A, Thirteenth Revised Page 20B, Fifteenth Revised Page 22, Sixteenth Revised Page 24, Fifteenth Revised Page 48 for Exeter and Hampton Electric Company are approved.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of June, 2000.

Douglas L. Patch Chairman	Susan S. Geiger Commissioner	Nancy Brockway Commissioner

Attested by:

Claire D. DiCicco
Assistant Secretary